

# Utah Money Management Council

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P. O. Box 142315  
Salt Lake City, Utah 84114-2315  
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mmcouncil@utah.gov



MONEY MANAGEMENT COUNCIL MEETING  
THURSDAY DECEMBER 17, 2015  
AT THE UTAH STATE TREASURER'S OFFICE  
350 NORTH STATE STREET  
SUITE 180  
3:00 PM

## A G E N D A

1. APPROVAL OF MINUTES OF OCTOBER 29, 2015
2. MONTHLY & QUARTERLY REPORTS
  - A) Division of Securities
  - B) Department of Financial Institutions
  - C) Deposit and Investment report update
3. PFM MANAGEMENT PRESENTATION/DISCUSSION
4. REVIEW OF LANGUAGE CHANGES TO ACT
5. FIVE YEAR REVIEW OF RULE 12
6. OTHER BUSINESS AS NEEDED
7. SCHEDULE NEXT MEETING AND ADJOURN

In compliance with the Americans with Disabilities Act, individuals needing special accommodations during this meeting should notify Kathy Wilkey, Administrative Assistant, at Room 180 State Capitol Building, (801) 538-1468.

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Key Bank  
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**STATE MONEY MANAGEMENT COUNCIL-MINUTES**  
**THURSDAY OCTOBER 29, 2015**

The regular meeting of the State Money Management Council was held in the Offices of the Utah State Treasurer, 350 North State Street, Suite 180, at 3:00 p.m., Thursday October 29, 2015. In attendance were:

Kirt Slaugh, Chair  
John Bond  
Doug DeFries  
Marina Scott  
Ann Pedroza, Staff  
Tom Bay, Division of Financial Institutions  
Michael Green, Attorney General's Office  
Michele Black, Securities Division  
Andy Robbins, Moreton Asset Management  
David Damschen, Deputy State Treasurer  
Darrell Child, Olympus Insurance  
Brian Child, Olympus Insurance  
Scott Burnett, Zions Capital Markets

**Minutes of September 17, 2015 Meeting**

The minutes of the September 17, 2015 meeting were approved unanimously.

**Monthly Reports**

**Securities Division:**

Ms. Black provided the Council with a corrected quarterly list of certified dealers from the previous month noting that some agents from Wells Fargo had been added to Wells Fargo Advisors. Council reviewed the list briefly.

**Financial Institutions' Report:**

Mr. Bay reviewed the monthly report with the Council noting that Gunnison Valley Bank is at 93% on usage of their uninsured public funds allotment. He will send out the quarterly letter to them this month to remind them to monitor their usage of the uninsured public funds allotment. Mr. Bay then noted that American West Bank is now Banner Bank and that the change occurred on October 2, 2015. He also informed the Council that Bank of American Fork and Lewiston State Bank have merged. Both reported separately for September month end but going forward they will be known as Peoples Intermountain Bank. Mr. Bond inquired of Mr. Bay as to what he sees occurring with Gunnison Valley Bank in a year. Mr. Bay noted that the banks issue is not a capital issue that it is a management issue and hopefully in a year or so they will get things in place to have the order removed.

**Deposit and Investment report update:**

Ms. Pedroza noted that there are 45 entities that have not filed their report.

**Acceptance of Reports:**

It was motioned and seconded, and all of the above reports were accepted unanimously.

### **Discussion with Representative from Olympus Insurance Regarding Surety Bond Changes**

Brian and David Childs from Olympus reviewed a presentation with the Council regarding changes in recent years in the insurance industry that has shifted in regards to the tools to provide surety protection for public officials. They noted that crime insurance is an omnibus product that provides universal coverage for theft and other things and that it can also provide coverage for theft by a government employee and in certain contexts can be used to replace a surety. They informed the Council that a fidelity bond is written on the individual and crime insurance doesn't have an individual guarantee as do fidelity bonds. Crime insurance has a deductible and in part because of this is less costly. Mr. Child discussed the difference of theft and crime insurance, fidelity bonds and pooled insurance concepts with the Council at length.

Their recommendations to the Council would be to allow flexibility of crime policies with a couple of qualifications such as individual limits available to satisfy the securities requirement, and where there is a risk sharing concept (pooled coverage) change their format to allow individual limits. They also felt it would be important to have discovery coverage and faithful performance of duty allowances. Mr. Child noted that if Council allows crime insurance to be used as an option to surety then there will be a move to this product as it is less expensive.

Council discussed the information with Mr. Child at length, and it was posed that the statute could be broadly changed and then the rule could provide more detailed limits. Council discussed this briefly and agreed to change the Act to include crime and theft insurance and then work on the rule next year.

### **Five Year Review of Rule 11**

Mr. Damschen briefly reviewed Rule 11 and recent changes and asked Mr. Bay about changes regarding the Prompt Corrective Action (PCA) capital requirements and ratios. Mr. Bay discussed this with the Council briefly noting that at this point in time it would not work to change the Rule using the PCA recommendations as there is no parity for the credit unions as they don't use risk related ratios at this point, but they are heading that direction. Council discussed these changes with Mr. Bay at length and Mr. Bay informed the Council that at this point he did not feel that the rule needed to be changes. Council continued the rule and Mr. DeFries noted that the rule give the Council the ability to change and react to issues quickly. Council the voted unanimously to leave the rule unchanged.

### **Other Business**

There was no other business.

### **Schedule Next Meeting**

The Council then scheduled the next regular meeting for December 17, 2015 at 3:00 p.m. With no other business before the Council, they adjourned at 4:29 p.m.



GARY R. HERBERT  
*Governor*

SPENCER J. COX  
*Lieutenant Governor*

State of Utah  
Department of Commerce  
Division of Securities

FRANCINE A. GIANI  
*Executive Director*

KEITH WOODWELL  
*Director, Division of Securities*

TO:	Money Management Council
FROM:	Michele Black, Division of Securities
RE:	Additions to the Certified Dealer List
DATE:	December 17, 2015

The following agents and firms have been added to the existing list for conducting investment transactions with public treasures pursuant to rule 16 of the State Money Management Council.

**UBS Financial Services Inc.**

Agents: Chris Rosenthal

**Moreton Capital Markets, LLC**

Agents: Andrew Robbins  
Jason Williams  
Jordan Hansen



GARY R. HERBERT  
Governor

SPENCER J. COX  
Lieutenant Governor

State of Utah  
Department of Commerce  
Division of Securities

FRANCINE A. GIANI  
Executive Director

THOMAS A. BRADY  
Deputy Director

KEITH WOODWELL  
Director, Division of Securities

TO:	Money Management Council
FROM:	Michele Black, Division of Securities
RE:	Current List Certified Dealer
DATE:	December 17, 2015

The following is the list of Certified Dealers and Agent(s) effective **December 17, 2015:**

**Barclays Capital Inc.**

Agents:	Peter Bjurstein	555 California Street, 30th Floor San Francisco, CA 94104
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**BNP Paribas Securities Corp.**

Agents:	Kathleen Cooney	787 Seventh Avenue New York, NY 10019
	Amit Ashok Jugal	2527 Camino Ramon San Ramon, CA 94583
	Alexandra Maria Linden	" "
	Robert McAndrew	787 Seventh Avenue New York, NY 10019
	Paul Thomas Montaquila	2527 Camino Ramon San Ramon, CA 94583
	Anthony Hoan Pham	" "
	Kari Prichard	" "
	W. Hampton B. Smith Jr.	787 7 <sup>th</sup> Avenue New York, NY 10019
	Dominic Aaron Wallace	2527 Camino Ramon San Ramon, CA 94583

**DA Davidson & Co.**

Agents:	Hank Jenkins	1550 Market Street Suite 300 Denver, CO 80202
	Marcus A. Nield	7730 Union Park Avenue Suite 220 Midvale, UT 84047
	Staci Salinas	" "

**George K. Baum & Company**

Agents: Susan P. Gardner  
  
Joseph C. Higginbottom  
  
Frederic H. Jones  
  
Stephen L. Strong  
Brett C. Turnbull

4801 Main Street, Suite 500  
Kansas City, MO 64112  
1400 Wewatta Street, Suite 800  
Denver, CO 80202  
15 West South Temple, #1090  
Salt Lake City, UT 84101  
“ ”  
4801 Main Street, Suite 500  
Kansas City, MO 64112

**Incapital LLC**

Agents: William H. Money III

299 South Main Street, Suite 1317  
Salt Lake City, UT 84111

**Jefferies LLC**

Agents: Andrew Davidoff  
  
Thomas Lifson

11100 Santa Monica Boulevard  
Los Angeles, CA 90025  
101 California Street 31<sup>st</sup> Floor  
San Francisco, CA 94111

**LPL Financial LLC**

Agents: Craig P. Adams  
  
Stephen H. Beierlein  
  
Jordan Curtis  
  
Timothy W. Floyd  
  
Chad D. Waddoups

5929 South Fashion Pointe Drive, Suite 204  
Ogden, UT 84403  
5929 South Fashion Point Drive  
Ogden, UT 84403  
455 East 40<sup>th</sup> Street  
South Ogden, UT 84403  
123 South River Road  
St. George, UT 84790  
7181 South Campus View Drive  
West Jordan, UT 84084

**Morgan Stanley**

Agents: Cody Adams  
  
Paul Barton  
  
Deidre M. Cortney  
  
Johnthomas L. Cumbow

60 East South Temple 20<sup>th</sup> Floor  
Salt Lake City, UT 84111  
6510 S. Millcreek Drive, Suite 100  
Holladay, UT 84121  
3033 East 1<sup>st</sup> Avenue, Suite 820  
Denver, CO 80206  
50 North Laura Street, Suite 2000  
Jacksonville, FL 32202

**Morgan Stanley cont.**

Agents:	Douglas Felt	60 E. South Temple Salt Lake City, UT 84111
	Phil Fonfara	750 Lindaro Street San Rafael, CA 94901
	John Hallgren	60 East South Temple Salt Lake City, UT 84111
	Thomas E. Nielson	6510 S. Millrock Drive, Suite 100 Holladay, UT 84121
	John R. Ott	750 Lindaro Street San Rafael, CA 94901
	Brian Parcell	60 E. South Temple Salt Lake City, UT 84111
	Angela Leach Pizzichini	3033 East 1 <sup>st</sup> Avenue, Suite 820 Denver, CO 80206
	Joseph A. Ranucci	50 North Laura Street, Suite 2000 Jacksonville, FL 32202
	F. Barton Reuling	6510 S. Millrock Drive, Suite 100 Holladay, UT 84121
	Michael Wallblom	600 Union Street Seattle, Wa 98101
	Kenneth Webster	6510 S. Millrock Drive, Suite 100 Holladay, UT 84121

**Moreton Capital Markets, LLC**

Agents:	Jordan Hansen	101 South 200 East, Suite 300 Salt Lake City, UT 84111
	Andrew Robbins	" "
	Jason Williams	" "

**Raymond James & Associates, Inc.**

Agents:	Mark McKinnon	2825 East Cottonwood Parkway, Suite 500 Salt Lake City, UT 84124
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**RBC Capital Markets, LLC**

Agents:	Eric Ajlouny	345 California Street San Francisco, CA 94104
	Scott Chappell	299 S. Main Street Suite 2000 Salt Lake City, UT 84111-2280
	David Fahey	" "
	Walter Hall	345 California, 29 <sup>th</sup> Floor San Francisco, CA 94104

**RBC Capital Markets, LLC cont.**

Agents: Ronald N. Mason

Brent Peterson

Patrick Porter

John Styrbicki

Sam Vetas

Michael Zetahmeyer

299 South Main Street, Suite 2000  
Salt Lake City, UT 84111

805 SW Broadway, Suite 1800  
Portland, OR 97205

299 South Main Street, Suite 2000  
Salt Lake City, UT 84111

60 South 6<sup>th</sup> Street  
Minneapolis, MN 55402

299 South Main Street, Suite 2000  
Salt Lake City, UT 84111-2280

60 South 6<sup>th</sup> Street  
Minneapolis, MN 55402

**Robert W. Baird & Co. Incorporated**

Agents: Donald Eckstein

Dean R. Cottle

Cathleen Gillies

4017 Hillsboro Pike Suite 403  
Nashville, TN 37215

222 South Main Street, Suite 1840  
Salt Lake City, UT 84101

210 University Boulevard Suite 460  
Denver, CO 80206

**UBS Financial Services Inc.**

Agents: Barry B. Bowen

John Doke

Fred C. Luedke

Jim Madden

Nat Mosley

John C. Pferdner

Chris Rosenthal

299 South Main, Suite 2100  
Salt Lake City, UT 84111

100 Crescent Court, Suite 600  
Dallas, TX 75201

100 Crescent Court, Suite 600  
Dallas, TX 75201

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299 South Main Suite 2100  
Salt Lake City, UT 84111  
30050 Chagrin Boulevard Suite 200  
Pepper Pike, OH 44124

**Wells Fargo Advisors LLC**

Agents: R. Dane Bradshaw

Josh G. Burgon

Daniel Payne

David Payne

Timothy Payne

6550 South Millrock Drive #G50  
Holladay, UT 84121

" "

201 South Main Street, Suite 160  
Salt Lake City, UT 84101

" "

" "



**Wells Fargo Securities LLC**

Agents: Benjamin Byington

Thomas Degenars

Brandon Hodge

Larry Lundberg

Daniel F. Quigley

Ryan Stoker

Randy Church

299 South Main Street  
Salt Lake City, UT 84111  
100 West Washington  
Phoenix, AZ 85003  
299 South Main Street  
Salt Lake City, UT 84111  
299 South Main Street  
Salt Lake City, UT 84111  
550 South Tryon Street  
Charlotte, NC 28202  
299 South Main Street  
Salt Lake City, UT 84111

" "

**Zions Bank Capital Markets**

Agents: Jacqueline Davies

Neil Decker

Wendy Jones

Brad Mayeda

Daniel Ricks

Ty Roberts

Kathy Sullivan

One South Main Street, 17<sup>th</sup> Floor  
Salt Lake City, UT 84133

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**Zions Direct, Inc.**

Agents: Jacqueline Davies

Neil Decker

Wendy Jones

Brad Mayeda

Daniel Ricks

Ty Roberts

Kathy Sullivan

One South Main Street, 17<sup>th</sup> Floor  
Salt Lake City, UT 84133

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Late D&I  
For  
June 30, 2015  
As of 12/17/15

Lewiston City 12/14

East Garland Cemetery 12/14  
Garland Cemetery 12/14

Spectrum Academy 12/14  
Vista School 12/14  
Wasatch Institute of Technology 12/14

Utah League of Cities & Towns 12/13  
Utah Municipal Finance Agency 6/14  
Garden City Fire Dist. 12/14

Park City Education Foundation 2010  
Weber School Dist Foundation 12/14

Beaver Fire Dist #1 12/14  
Fruitland Water Imp Dist 12/12  
North Fork SS Dist 12/14  
North Sanpete Ambulance Service 6/13  
Southwestern SS Dist 12/14  
Summit Co Service Area #5 12/14  
Timpanogos SS Dist 12/14  
White Hills SS Dist 12/08

Cornish Town 12/14  
Goshen Town 12/14

Utah College of Applied Tech 12/14

American Fork Metro Water Dist 12/14  
Perry City Flood Control 6/14  
Bristlecone Water Imp Dist 6/12  
Cache Co Drainage Dist #5 12/14  
Cache County Drainage Dist #6 12/14  
Corinne Drainage Dist #1 12/14  
Elwood Drainage Dist 6/14  
Iowa String Drainage Dist 12/14  
Millard County Drainage Dist #4 6/14  
Millard Co Water Consrv Dist 6/14  
Powder Mtn Water/Sewer Improv Dist 6/14  
Rush Valley Water Consrv Dist 12/14  
Upper Sevier River Wtr Cons Dist 12/14  
Weber Co Service Area #5 (Liberty Pk) 6/13

custodial bank or trust company.

(2) The public treasurer may maintain accounts with money center banks only for the purposes of settling investment transactions, safekeeping, and collecting those investments.

**51-7-8 Separate accounts for funds -- Credit of allocated shares of income and gains or losses.**

The state treasurer shall keep for each fund for which investments are made, a separate account, to be designated by name and number, which shall record the individual amounts and the totals of all investments belonging to the fund, and shall credit to each fund not less often than quarterly its allocated share of the income from the investments of pooled funds, and gains or losses from the sale or exchange of pooled investment assets.

**51-7-9 Quarterly reports by state treasurer -- Audit of accounts of state treasurer -- Report of audit -- Employment of investment staff and services.**

The state treasurer shall report not less often than quarterly to each participating state officer, board, commission, institution, department, division, agency, or other similar instrumentality, or political subdivision, the activities, investments, and performance of his office during the preceding period. The accounts of the state treasurer shall be audited annually under the direction of the state auditor. The report of this audit shall be open for inspection by the public in the offices of the state auditor and the state treasurer and a copy of it shall be submitted to the legislature through the Office of the Legislative Fiscal Analyst. The state treasurer is authorized, within the limits of available appropriations, to employ such investment staff and secure such financial, investment, and other technical services he considers necessary to properly carry out his responsibilities under this chapter.

**51-7-11 Authorized deposits or investments of public funds.**

(1)(a) Except as provided in Subsections (1)(b) and (1)(c), a public treasurer shall conduct investment transactions through qualified depositories, certified dealers, or directly with issuers of the investment securities.

(b) A public treasurer may designate a certified investment adviser to make trades on behalf of the public treasurer.

(c) A public treasurer may make a deposit in accordance with Section 53B-7-601 in a foreign depository institution as defined in Section 7-1-103.

(2) The remaining term to maturity of the investment may not exceed the period of availability of the funds to be invested.

(3) Except as provided in Subsection (4), all public funds shall be deposited or invested in the following assets that meet the criteria of Section 51-7-17:

(a) negotiable or nonnegotiable deposits of qualified depositories;

(b) qualifying or nonqualifying repurchase agreements and reverse repurchase agreements with qualified depositories using collateral consisting of:

(i) Government National Mortgage Association mortgage pools;

(ii) Federal Home Loan Mortgage Corporation mortgage pools;

(iii) Federal National Mortgage Corporation mortgage pools;

(iv) Small Business Administration loan pools;

(v) Federal Agriculture Mortgage Corporation pools; or

(vi) other investments authorized by this section;

(c) qualifying repurchase agreements and reverse repurchase agreements with certified

dealers, permitted depositories, or qualified depositories using collateral consisting of:

- (i) Government National Mortgage Association mortgage pools;
  - (ii) Federal Home Loan Mortgage Corporation mortgage pools;
  - (iii) Federal National Mortgage Corporation mortgage pools;
  - (iv) Small Business Administration loan pools; or
  - (v) other investments authorized by this section;
- (d) commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, which has a remaining term to maturity of:
- (i) 270 days or fewer for paper issued under 15 U.S.C. Sec. 77c(a)(3); or
  - (ii) 365 days or fewer for paper issued under 15 U.S.C. Sec. 77d(2);
- (e) bankers' acceptances that:
- (i) are eligible for discount at a Federal Reserve bank; and
  - (ii) have a remaining term to maturity of 270 days or fewer;
- (f) fixed rate negotiable deposits issued by a permitted depository that have a remaining term to maturity of 365 days or fewer;
- (g) obligations of the United States Treasury, including United States Treasury bills, United States Treasury notes, and United States Treasury bonds that, unless the funds invested are pledged or otherwise deposited in an irrevocable trust escrow account, have a remaining term to final maturity of:
- (i) five years or less; or
  - (ii) if the funds are invested by an institution of higher education as defined in Section 53B-3-102, a city of the first class, or a county of the first class, 10 years or less; or
  - (ii) if the funds are invested by a public agency entity insurance mutual as defined in Section 31A-1-103(7)(a), 20 years or less;
- (h) obligations other than mortgage pools and other mortgage derivative products that:
- (i) are issued by, or fully guaranteed as to principal and interest by, the following agencies or instrumentalities of the United States in which a market is made by a primary reporting government securities dealer, unless the agency or instrumentality has become private and is no longer considered to be a government entity:
    - (A) Federal Farm Credit banks;
    - (B) Federal Home Loan banks;
    - (C) Federal National Mortgage Association;
    - (D) Federal Home Loan Mortgage Corporation;
    - (E) Federal Agriculture Mortgage Corporation; and
    - (F) Tennessee Valley Authority; and
  - (ii) unless the funds invested are pledged or otherwise deposited in an irrevocable trust escrow account, have a remaining term to final maturity of:
    - (A) five years or less; or
    - (B) if the funds are invested by an institution of higher education as defined in Section 53B-3-102, a city of the first class, or a county of the first class, 10 years or less; or
    - (C) if the funds are invested by a public agency entity insurance mutual as defined in Section 31A-1-103(7)(a), 20 years or less;
- (i) fixed rate corporate obligations that:
- (i) are rated "A" or higher or the equivalent of "A" or higher by two nationally recognized statistical rating organizations;
  - (ii) are senior unsecured or secured obligations of the issuer, excluding covered bonds;
  - (iii) are publicly traded; and
  - (iv) have a remaining term to final maturity of 15 months or less or are subject to a

hard put at par value or better, within 365 days;

(j) tax anticipation notes and general obligation bonds of the state or a county, incorporated city or town, school district, or other political subdivision of the state, including bonds offered on a when-issued basis without regard to the limitations described in Subsection (7) that, unless the funds invested are pledged or otherwise deposited in an irrevocable trust escrow account, have a remaining term to final maturity of:

(i) five years or less; or

(ii) if the funds are invested by an institution of higher education as defined in Section 53B-3-102, a city of the first class, or a county of the first class, 10 years or less; or

(iii) if the funds are invested by a public agency entity insurance mutual as defined in Section 31A-1-103(7)(a), 20 years or less;

(k) bonds, notes, or other evidence of indebtedness of a county, incorporated city or town, school district, or other political subdivision of the state that are payable from assessments or from revenues or earnings specifically pledged for payment of the principal and interest on these obligations, including bonds offered on a when-issued basis without regard to the limitations described in Subsection (7) that, unless the funds invested are pledged or otherwise deposited in an irrevocable trust escrow account, have a remaining term to final maturity of:

(i) five years or less; or

(ii) if the funds are invested by an institution of higher education as defined in Section 53B-3-102, a city of the first class, or a county of the first class, 10 years or less; or

(iii) if the funds are invested by a public agency insurance mutual as defined in Section 31A-1-103(7)(a), 20 years or less.

(l) shares or certificates in a money market mutual fund;

(m) variable rate negotiable deposits that:

(i) are issued by a qualified depository or a permitted depository;

(ii) are repriced at least semiannually; and

(iii) have a remaining term to final maturity not to exceed three years;

(n) variable rate securities that:

(i)

(A) are rated "A" or higher or the equivalent of "A" or higher by two nationally recognized statistical rating organizations;

(B) are senior unsecured or secured obligations of the issuer, excluding covered bonds;

(C) are publicly traded;

(D) are repriced at least semiannually; and

(E) have a remaining term to final maturity not to exceed three years or are subject to a hard put at par value or better, within 365 days;

(ii) are not mortgages, mortgage-backed securities, mortgage derivative products, or a security making unscheduled periodic principal payments other than optional redemptions; and

(o) reciprocal deposits made in accordance with Subsection 51-7-17(4).

(4) The following public funds are exempt from the requirements of Subsection (3):

(a) the Employers' Reinsurance Fund created in Section 34A-2-702;

(b) the Uninsured Employers' Fund created in Section 34A-2-704;

(c) a local government other post-employment benefits trust fund under Section 51-7-12.2; and

(d) a nonnegotiable deposit made in accordance with Section 53B-7-601 in a foreign depository institution as defined in Section 7-1-103.

- (5) If any of the deposits authorized by Subsection (3)(a) are negotiable or nonnegotiable large time deposits issued in amounts of \$100,000 or more, the interest shall be calculated on the basis of the actual number of days divided by 360 days.
- (6) A public treasurer may maintain fully insured deposits in demand accounts in a federally insured nonqualified depository only if a qualified depository is not reasonably convenient to the entity's geographic location.
- (7) Except as provided under Subsections (3)(j) and (k), the public treasurer shall ensure that all purchases and sales of securities are settled within:
- (a) 15 days of the trade date for outstanding issues; and
  - (b) 30 days for new issues.

#### **51-7-11.5 Certified investment advisers -- Scope of and limits to authority.**

- (1) Certified investment advisers may not make any investments that are inconsistent with this chapter or rules of the council.
- (2) Certified investment advisers acting on behalf of a public treasurer shall conduct investment transactions only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

#### **51-7-12.2 Definitions -- Local government other post-employment benefits trust fund -- Investments -- State treasurer duties.**

- (1) As used in this section:
- (a) "Local Government OPEB Trust Fund" or "Local Government Other Post-Employment Benefits Trust Fund" means money set aside by a local government to fund future payments of benefits, other than pensions, to a former employee who is qualified for the benefits.
  - (b) "Local Government OPEB Trust Fund" does not include money for deposit in the Utah State Retirement Investment Fund created under Section 49-11-301, or money for deposit in the Post-Retirement Benefits Trust Fund created under Section 67-19d-201.
- (2) All local government OPEB trust fund money in the custody of a local government treasurer shall be established in a separate trust fund in accordance with standards established by the Governmental Accounting Standards Board.
- (3) Money in a local government OPEB trust fund may be deposited or invested only in the following assets that meet the criteria of Section 51-7-17:
- (a) a deposit or investment authorized under Section 51-7-11;
  - (b) indexed funds of an open-end diversified management investment company established under the Investment Companies Act of 1940; or
  - (c) indexed funds that are administered by the state treasurer in accordance with Subsection (4).
- (4) The state treasurer may:
- (a) develop and offer a variety of asset allocation options for money in a local government OPEB trust fund;
  - (b) review for efficiency, the asset allocation options offered under Subsection (4)(a) as needed; and
  - (c) charge an administrative fee of not more than .005 percent per month of the assets managed for cost incurred in the management of funds within an asset allocation option.

#### **51-7-12.5 Deposit or investment of the Employers' Reinsurance Fund and Uninsured Employers' Fund -- Authorized deposits and investments -- Asset manager.**

(1) The principal of the Employers' Reinsurance Fund created in Section 34A-2-702, and the Uninsured Employers' Fund created in Section 34A-2-704 shall be deposited or invested only in the following:

- (a) any deposit or investment authorized by Section 51-7-11;
- (b) equity securities, including common and preferred stock issued by corporations listed on a major securities exchange, in accordance with the following criteria applied at the time of investment:
  - (i) the treasurer may not invest more than 5%, determined on a cost basis, of the total fund assets in the securities of any one issuer;
  - (ii) the treasurer may not invest more than 25%, determined on a cost basis, of total fund assets in a particular industry;
  - (iii) the treasurer may not invest more than 5%, determined on a cost basis, of the total fund assets in securities of corporations that have been in continuous operation for less than three years;
  - (iv) the fund may not hold in excess of 5% of the outstanding voting securities of any one corporation; and
  - (v) at least 75% of the corporations in which investments are made under Subsection (1)(b) must appear on the Standard and Poor's 500 Composite Stock Price Index;
- (c) fixed-income securities, including bonds, notes, mortgage securities, zero coupon securities and convertible securities issued by domestic corporations rated "A" or higher or the equivalent of "A" or higher by two nationally recognized statistical rating organizations in accordance with the following criteria applied at the time of investment:
  - (i) the treasurer may not invest more than 5%, determined on a cost basis, of the total fund assets in the securities of any one issuer;
  - (ii) the treasurer may not invest more than 25%, determined on a cost basis, of the total fund assets in a particular industry;
  - (iii) the treasurer may not invest more than 5%, determined on a cost basis, of the total fund assets in securities of corporations that have been in continuous operation for less than three years; and
  - (iv) the dollar-weighted average maturity of fixed-income securities acquired under Subsection (1)(c) may not exceed 10 years;
- (d) fixed-income securities issued by agencies of the United States and government-sponsored organizations, including mortgage-backed pass-through certificates and mortgage-backed bonds;
- (e) shares of an open-end diversified management investment company established under the Investment Companies Act of 1940; or
- (f) shares of or deposits in a pooled-investment program.

(2)

- (a) No more than 65% of the total fund assets of any of these funds, on a cost basis, may be invested in common or preferred stocks at any one time.
- (b) At least 35% of the total assets of these funds shall be invested in fixed-income securities authorized by Section 51-7-11 and Subsections (1)(c) and (d).

(3) The state treasurer shall use appropriate investment strategies to protect the principal of the funds administered under this section during periods of financial market volatility.

(4)

- (a) The state treasurer may employ professional asset managers to assist in the investment of assets of the funds.
- (b) The treasurer may provide compensation to asset managers from earnings generated by the funds' investments.

**51-7-13 Funds of member institutions of state system of higher education and public education foundations -- Authorized deposits or investments.**

- (1) The provisions of this section apply to all funds of:
  - (a) higher education institutions, other than endowment funds, that are not transferred to the state treasurer under Section 51-7-4; and
  - (b) public education foundations established under Section 53A-4-205.
- (2)
  - (a) Proceeds of general obligation bond issues and all funds pledged or otherwise dedicated to the payment of interest and principal of general obligation bonds issued by or for the benefit of the institution shall be invested according to the requirements of:
    - (i) Section 51-7-11 and the rules of the council; or
    - (ii) the terms of the borrowing instruments applicable to those bonds and funds if those terms are more restrictive than Section 51-7-11.
  - (b)
    - (i) The public treasurer shall invest the proceeds of bonds other than general obligation bonds issued by or for the benefit of the institution and all funds pledged or otherwise dedicated to the payment of interest and principal of bonds other than general obligation bonds according to the terms of the borrowing instruments applicable to those bonds.
    - (ii) If no provisions governing investment of bond proceeds or pledged or dedicated funds are contained in the borrowing instruments applicable to those bonds or funds, the public treasurer shall comply with the requirements of Section 51-7-11 in investing those proceeds and funds.
  - (c) All other funds in the custody or control of any of those institutions or public education foundations shall be invested as provided in Section 51-7-11 and the rules of the council.
- (3)
  - (a) Each institution shall make monthly reports detailing the deposit and investment of funds in its custody or control to its institutional council and the State Board of Regents.
  - (b) The state auditor may conduct or cause to be conducted an annual audit of the investment program of each institution.
  - (c) The State Board of Regents shall:
    - (i) require whatever internal controls and supervision are necessary to ensure the appropriate safekeeping, investment, and accounting for all funds of these institutions; and
    - (ii) submit annually to the governor and the Legislature a summary report of all investments by institutions under its jurisdiction.

**51-7-14 Prudent man rule for management of investments -- Sale of security or investment for less than cost.**

- (1) Persons selecting investments authorized by Sections 51-7-11 and 51-7-13 shall:
  - (a) exercise that degree of judgment and care, under the circumstances prevailing at the time the investment is selected, that persons of prudence, discretion, and intelligence exercise in the management of their own affairs;
  - (b) select investments not for speculation but for investment;
  - (c) consider:
    - (i) the probable safety of the capital;
    - (ii) the probable benefits to be derived;
    - (iii) the probable duration for which that investment may be made;
    - (iv) the investment objectives specified in Section 51-7-17; and



- (v) the investment portfolio as a whole.
- (2) A public treasurer may sell or otherwise dispose of, at less than cost, any security or investment in which public funds under his jurisdiction have been invested if that sale or other disposition tends to maximize the benefits that may be derived from the changed investment.

**51-7-15 General fidelity bonds or crime or theft insurance for of state treasurer and other public treasurers -- Reports to council.**

- (1)
  - (a) The state treasurer, county, city, and town treasurers, the clerk or treasurer of each school district, and other public treasurers that the council designates by rule shall ~~be bonded~~ secure a general fidelity bond or crime or theft insurance in an amount of not less than that established by the council.
  - (b) The council shall base the minimum general fidelity bond or crime or theft insurance amount on the amount of public funds normally in the treasurer's possession or control.
- (2)
  - (a) When a public treasurer deposits or invests public funds as authorized by this chapter, the public treasurer and the public treasurer's bondsmen or insurer are not liable for any loss of public funds invested or deposited unless the loss is caused by the malfeasance of the public treasurer or a member of the public treasurer's staff.
  - (b) A public treasurer and the public treasurer's bondsmen or insurer are liable for a loss for any reason from deposits or investments not made in conformity with this chapter and the rules of the council.
- (3)
  - (a) A public treasurer shall file a written report with the council on or before January 31 and July 31 of each year.
  - (b) The report shall contain:
    - (i) the information about the deposits and investments of that public treasurer during the preceding six months ending December 31 and June 30, respectively, that the council requires by rule; and
    - (ii) information detailing the nature and extent of interest rate contracts permitted by Subsection 51-7-17(3).
  - (c) A public treasurer shall make copies of the report available to the public at the public treasurer's office during normal business hours.

**51-7-16 State Money Management Council -- Members -- Terms -- Vacancies -- Chair and vice chair-- Executive secretary -- Meetings -- Quorum -- Members' disclosure of interests -- Per diem and expenses.**

- (1)
  - (a) There is created a State Money Management Council composed of five members appointed by the governor after consultation with the state treasurer and with the consent of the Senate.
  - (b) The members of the council shall be qualified by training and experience in the field of investment or finance as follows:
    - (i) at least one member, but not more than two members, shall be experienced in the banking business;
    - (ii) at least one member, but not more than two members, shall be an elected treasurer;
    - (iii) at least one member, but not more than two members, shall be an appointed public treasurer; and

agency.

**51-7-22 Penalty for violation by public treasurer.**

- (1) Any public treasurer who willfully violates the deposit and investment provisions of this chapter is guilty of a class A misdemeanor.
- (2) Any public treasurer who knowingly makes or causes to be made a false statement or report to the council is guilty of a class A misdemeanor.

**51-7-22.4 Penalties for violation by certified investment advisers.**

- (1) An intentional violation by a certified investment adviser of Section 51-7-7, 51-7-11, or 51-7-11.5, or any rule or order under this chapter is punishable by a civil penalty of:
  - (a) \$1,000 for each day of noncompliance for the investment adviser; and
  - (b) \$5,000 for each day of noncompliance for the firm or institution where the certified investment adviser is employed.
- (2) In addition to any other penalty for a criminal violation of this chapter, the sentencing judge may impose any penalty or remedy provided for in Subsection 51-7-22.5(1)(b).
- (3) Funds collected under Subsection (1) shall be deposited in the General Fund.

**51-7-22.5 Enforcement.**

- (1) Whenever it appears to the council that any person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of this chapter or any rule issued under authority of this chapter:
  - (a) the council may bring an action in the appropriate district court of this state or the appropriate court of another state to enjoin the acts or practices and to enforce compliance with this chapter or any rule under this chapter; and
  - (b) upon a proper showing in an action brought under this section, the court may:
    - (i) issue a permanent or temporary, prohibitory, or mandatory injunction;
    - (ii) issue a restraining order or writ of mandamus or other extraordinary writ;
    - (iii) enter a declaratory judgment;
    - (iv) order disgorgement;
    - (v) order rescission;
    - (vi) impose a fine of not more than \$50,000 for each violation of the chapter; or
    - (vii) provide any other relief that the court considers appropriate.
- (2) An indictment or information may not be returned nor may a civil complaint be filed under this chapter more than five years after discovery of the alleged violation.

**51-7-23 Transition of investments previously authorized.**

- (1) Any investment held by a public treasurer that as of June 30, 2015, is not in compliance with the provisions of this chapter is subject to review by the council.
- (2)
  - (a) No later than July 31, 2015, a public treasurer who holds an investment described in Subsection (1) shall provide the council a written report that outlines a reasonable plan to bring the investment into compliance.
  - (b) A plan described in Subsection (2)(a) is subject to annual review by the council.
  - (c) The council may authorize, with substantial justification, an exception to the 5 year maturity requirements of 51-7-11.

**51-7-24 Sales and purchase in violation -- Remedies -- Limitation of action.**

- (1)



Ann Pedroza <apedroza@utah.gov>

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## RE: Draft language

1 message

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Johnnie Miller <jmiller@ucip.utah.gov>  
To: Ann Pedroza <apedroza@utah.gov>

Wed, Sep 9, 2015 at 2:12 PM

Ann,

Scrapping the language in paragraph 2 would be the best answer. I would be happy to work with the council to look at other options to attempt to protect the invested assets if they want to look for a way to do that. I can tell you that most risk management text books start out in chapter 1 with a discussion of risk that is insurable and risk that is not, and investments and gambling are the two examples always used for risk that is uninsurable.

### Utah Counties Indemnity Pool

Johnnie R. Miller, ARM-P, CIC, CRM

Chief Executive Officer

5397 South Vine Street

Murray, UT 84107

Phone (801) 307-2114

Cell (801) 718-7107

Email jmiller@ucip.utah.gov

**From:** Ann Pedroza [mailto:apedroza@utah.gov]  
**Sent:** Wednesday, September 09, 2015 1:46 PM  
**To:** Johnnie Miller  
**Subject:** Re: Draft language

Johnnie:

I did mirror the language from the county statute with regards to "general fidelity bond" rather than just "bond" as the Act currently reads. Would you suggest that the paragraph (2)(a) and (b) just be scrapped? This was again written back in the '80's when there was nothing in place and they were trying to make sure there was some avenue to recover funds, so the language may not be needed. Let me know,

Ann

On Wed, Sep 9, 2015 at 1:07 PM, Johnnie Miller <jmiller@ucip.utah.gov> wrote:

Ann,

The inclusion of "or crime or theft insurance" in the act should work fine as this is what was done back in 2003 to the County Code related to bonding of county officers (although that statute uses "fidelity bond or theft or crime insurance". Making that change will clear up the issue the county treasurers have had with their auditors.

Just to clarify for the council's sake, the obligation on bondsmen or insurers under paragraph 2 of 51-7-15 is still problematic. A bond may cover a treasurer's malfeasance, but because 63G-7-805 restricts a surety from recovering their loss from the governmental employee, a surety will not issue a bond in an amount more than a couple thousand dollars. An insurer will not provide a policy that will cover loss on investments for any reason other than if the treasurer benefitted directly from the loss, which would trigger coverage under the crime insurance. The Council should understand that if their intent with 51-7-15(2) is to have the governmental entity recover losses on investments either because of malfeasance (subparagraph a) or because investments were not made in conformity with Chapter 51 or rules of the council (subparagraph b), they will find that treasurers cannot secure a bond or insurance to cover that loss. If the council desires to have that type of protection for the taxpayers, a special fund of some sort would need to be set up. Indicating that the bondsmen or insurer is liable for these losses in the statute is not going to obligate them to anything beyond the surety agreement or policy issued, which will exclude the type of loss contemplated under paragraph 2. I bring this up again just to let the council know that losses to investments resulting from malfeasance or non-compliance has not, is not, and cannot be covered by way of bonds or insurance (not in the standard market anyway, you can always look to Lloyds to develop a specialty coverage, but that is going to be very expensive given the exposure of all public funds invested by Utah local governments).

#### **Utah Counties Indemnity Pool**

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Email jmiller@ucip.utah.gov

**From:** Ann Pedroza [mailto:apedroza@utah.gov]

**Sent:** Tuesday, September 08, 2015 4:49 PM

**To:** Johnnie Miller; steve@utahtrust.gov

**Subject:** Draft language

Johnnie and Steve:

I have been asked the the State Treasurer to begin draft language for him to review. This is my first go at it. Can you let me know if this works for you both on the investment changes and the insurance changes or if you would have changes that would be cleaner than this. They are struck through or underlined and start on page 6.

Thanks,

Ann Pedroza, Staff

Utah Money Management Council

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No virus found in this message.

Checked by AVG - [www.avg.com](http://www.avg.com)

Version: 2013.0.3532 / Virus Database: 4365/10479 - Release Date: 08/21/15

Internal Virus Database is out of date.

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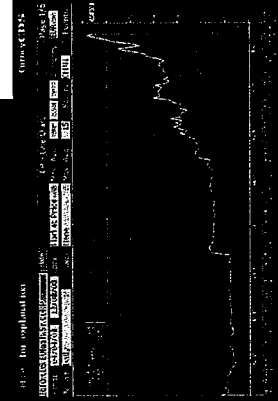
Version: 2013.0.3532 / Virus Database: 4365/10479 - Release Date: 08/21/15

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	2005	2006	2007	2008	2009	2010
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1.77%	4.56%	7.22%	7.05%	1.04%	2.35%	2.35%
1.87%	4.02%	6.74%	6.17%	0.76%	2.32%	2.32%
1.58%	3.56%	5.14%	4.33%	0.21%	0.77%	0.77%
1.14%	3.27%	5.05%	2.03%	(0.57%)	(0.57%)	(0.57%)
0.88%	3.25%	(4.65%)	2.08%	(1.41%)	0.13%	0.13%



Presentation to the  
**Utah Money Management Council**

**Educational Review and  
Perspectives on Best Execution**

December 17, 2015

**PFM Asset Management LLC**  
Chris Blackwood, Director  
Richard Babbe, Senior Managing Consultant

# Presentation Purpose

- This presentation is for educational and informational purposes only. It is for informational purposes only as requested by a member of the Money Management Council. It is presented with the understanding that we are not engaged in rendering legal or investment advice to the Money Management Council.

# Outline

1. What is Best Execution?
2. Best Execution – A Fixed Income Viewpoint
3. Best Execution – Policies and Procedures
4. The Current Trading Environment
5. Seeking Best Execution through Capital Market Access
6. Utah Certified Dealer Requirements
7. Questions?



# Best Execution - Overview

- What is “Best Execution,” and why is it important?
- Best execution is not specifically defined in the securities laws.
- The CFA Institute’s Trade Management Task Force<sup>1</sup>, an industry leader in setting global standards and policies, provides guidance regarding “best execution” as follows:
  - Best Execution refers to a trading process firms apply that seeks to maximize the value of a client’s portfolio given each client’s stated investment objectives and constraints. This definition recognizes that best execution:
    - Is intrinsically tied to portfolio-decision value and cannot be evaluated independently;
    - Is a prospective, statistical, and qualitative concept that cannot be known with certainty ex ante;
    - Has aspects that may be measured and analyzed over time on an ex post basis, even though such measurement on a trade-by-trade basis may not be meaningful in isolation; and
    - Is interwoven into complicated, repetitive, and continuing practices and relationships.
- “An adviser, as a fiduciary, owes its clients a duty of obtaining the best execution on securities transaction.”<sup>2</sup> The Securities and Exchange Commission (“SEC”) has recognized that qualitative factors are generally as important as quantitative factors. According to the SEC, in making its Best Execution determination, “a money manager should consider the full range and quality of a Broker’s services in placing brokerage including, among other things, the value of research provided as well as execution capability, commission rate, financial responsibility, and responsiveness to the money manager.”<sup>3</sup>

1. CFA Institute, Trade Management Guidelines

2. <https://www.sec.gov/rules/interp/34-23170.pdf>

3. Interpretive Release Concerning Scope of Section 28(e) of the Securities Exchange Act of 1934 and Related Matters. Exchange Act Release No. 23170 (Apr. 23, 1986).

# Best Execution - A Fixed Income Viewpoint

- SIFMA Best Execution guidance<sup>1</sup> for Fixed Income Securities investment managers
  1. Develop policies for types of fixed income securities traded
  2. Create Best Execution Committee or similar structure
  3. Evaluate pre-trade, execution & post-trade information
  4. Use quantitative and qualitative criteria to select counter parties
  5. Use technology
  6. Consider/disclose conflicts
  7. Conduct trading reviews
  8. Review market data/limited availability & usefulness

1. [http://www.sifma.org/asset\\_management/docs/SIFMA-AMG-Best-Execution-White-Paper-Jan2008.pdf](http://www.sifma.org/asset_management/docs/SIFMA-AMG-Best-Execution-White-Paper-Jan2008.pdf)

# Consideration for Best Execution

- Establish what best execution means for investors and their investment strategy
  - Various factors for selecting brokers
  - Criteria used to measure these factors
- Investors may develop criteria for selecting approved brokers based upon a wide variety of factors including:

## Broker/Dealer Evaluation Factors - Examples

- Financial stability of the broker/dealer
- Evaluate the full range and quality of broker's services
- Execution capability
- Price improvement and reactions to market movement
- Analyst availability
- Value of research provided
- Confidentiality provided by the broker
- The promptness of execution
- The broker/dealer's clearance and settlement capabilities
- Accessibility and responsiveness
- Speed
- Frequency of errors & correction of errors
- Back office functions

# Trading Environment

- The dynamics of the market are impacted by technology, which for institutional traders is driving a shift away from individual brokers to electronic trading systems.
- Electronic trading systems can create efficiencies in trading fixed income securities. Potential benefits include:
  - Trade execution efficiencies
  - Efficiency gaining the ability to view multiple dealer inventories
  - Straight-through processing
  - Increased transparency of pricing
- Examples of widely used trading systems:
  - Bloomberg FIT
  - MarketAxess
  - Tradeweb
- The post financial crisis regulatory environment has generally resulted in reduced dealer inventories which has increased the need for broader broker dealer coverage.

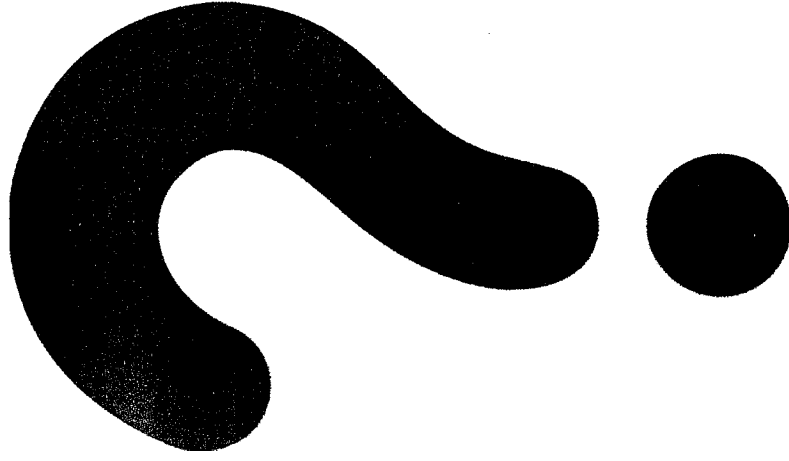
# Utah Certified Dealer Requirements

- (1) (a) Except as provided in Subsections (1)(b) and (1)(c), a public treasurer shall conduct investment transactions through qualified depositories, certified dealers, or directly with issuers of the investment securities.<sup>1</sup>
- Broker Dealers are required to register with the Utah Securities Division. Agents of the firm must also sign an Affidavit of Knowledge of the Utah Money Management Act. As of December 15, 2015 the Certified Dealer List includes:
  - 5 Primary dealers
  - 11 Regional dealers
- Comparison with other states

24 agents  
18 firms

Source: <http://treasurer.utah.gov/money-management-council/certified-dealer-list/>  
1. Utah Money Management Act 51-7-11

# Questions



# Disclaimer

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